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COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

1/13/83

Date: \_\_\_\_\_

Mr. President:

The Committee on COMMUNITY & REGIONAL AFFAIRS has had SENATE BILL NO. 21

An Act relating to grants for water supply, sewerage and solid waste facilities; and aff. date.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for SENATE BILL No. 21  same title  
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

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\_\_\_\_\_ (Do Pass)  
CHAIRMAN

1 (f) The department shall make a grant to a municipality or unin-  
2 corporated community to supplement revenues to assist in the payment of  
3 operation and maintenance costs for a village safe water and sewer  
4 facility.

5 \* Sec. 5. AS 46.03.900(19) is amended to read:

6 (19) "sewer system" or "sewerage system" means pipelines or  
7 conduits, pumping stations, and force mains, and all other appurtenant  
8 constructions, devices, and appliances used for conducting sewage,  
9 industrial waste, or other wastes to a point of ultimate disposal and  
10 includes the original purchase of ~~water delivery~~ and honey bucket col-  
11 lection vehicles if the vehicles are determined by the department to be  
12 cost effective compared with conventional water supply and sewage col-  
13 lection systems and facilities for the maintenance and storage of  
14 those vehicles;

15 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.10-  
16 070(c).

SB 253 (CONTINUED)

<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>SENATE ACTION</u>	<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>HOUSE ACTION</u>
			RULES				

SB 254 AN ACT RELATING TO THE ALASKA STATE EDUCATIONAL INCENTIVE GRANT PROGRAM; AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSORS: PARR

CO-SPONSORS: KELLY STIMSON

<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>SENATE ACTION</u>	<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>HOUSE ACTION</u>
03/09/81	01	0398	FIRST READING -- COMMITTEE REPORTS				
* 04/23/81	02	0848	HESS -- DP(AM)04, NR01 FINANCE RULES				

SB 255 AN ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF EDUCATION, ALASKA COMMISSION ON POSTSECONDARY EDUCATION FOR THE ALASKA STATE EDUCATIONAL INCENTIVE GRANT PROGRAM; AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSORS: PARR

CO-SPONSORS: KELLY STIMSON

<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>SENATE ACTION</u>	<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>HOUSE ACTION</u>
03/09/81	01	0399	FIRST READING -- COMMITTEE REPORTS				
* 04/23/81	02	0849	HESS -- DP04, NR01 FINANCE RULES				

SR 252 AN ACT RELATING TO GRANTS FOR WATER SUPPLY, SEWERAGE AND SOLID WASTE FACILITIES; AND PROVIDING FOR AN EFFECTIVE DATE

AMENDED TITLE: HCS CS\*(FIN)AM H

PRIME SPONSORS: KERTTULA

CO-SPONSORS: KELLY

<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>SENATE ACTION</u>	<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>HOUSE ACTION</u>
03/09/81	01	0398	FIRST READING -- COMMITTEE REPORTS	05/03/82	13	1630	FIRST READING -- COMMITTEE REPORTS
04/09/81	02	0696	CIRA -- C&RA CS(AM)04	05/14/82	14	1864	CIRA -- CS03
04/28/82	03	1077	FIN -- CS05	05/15/82	15	1883	FIN -- CS08
04/28/82	04	1077	FISCAL NOTE EQUALS ZERO	05/18/82	16	1947	POSTPONED UNTIL 05/19/82 BY UNAN CONSENT
04/28/82	05	1077	ANALYSIS SEN SUPPL #38	05/19/82	17	1961	POSTPONED UNTIL 05/20/82 BY UNAN CONSENT
05/03/82	06	1117	RLS -- OTHER03 TAKEN UP IMMEDIATELY	05/20/82	18	1973	POSTPONED UNTIL 05/24/82 BY DIV 23-10-07
				05/24/82	19	2009	POSTPONED UNTIL 05/25/82 BY UNAN CONSENT
05/03/82	07	1118	SECOND READING	05/25/82	20	2033	SECOND READING
05/03/82	08	1118	FIN CS ADOPTED BY UNAN CONSENT	05/25/82	21	2034	FIN CS ADOPTED BY UNAN CONSENT
05/03/82	09	1118	ADVANCED TO 3RD READING BY UNAN CONSENT	05/25/82	22	2035	AM01 ADOPTED BY UNAN CONSENT
				05/25/82	23	2035	ADVANCED TO 3RD READING BY UNAN CONSENT
05/03/82	10	1118	THIRD READING				
05/03/82	11	1119	PASSED BY DIV 18-00-02	05/25/82	24	2035	THIRD READING
05/03/82	12	1119	EFFECTIVE DATE VOTE SAME AS PASSAGE	05/25/82	25	2035	PASSED BY DIV 32-05-03
				05/25/82	26	2035	EFFECTIVE DATE VOTE SAME AS PASSAGE
05/26/82	27	1548	CONCURRED IN HOUSE AMS BY DIV 20-00-00				
05/26/82	28	1548	EFFECTIVE DATE VOTE SAME AS PASSAGE				
05/29/82	29	1621	TRANSMITTED TO GOVERNOR				
** 06/16/82	30	1759	VETOED BY GOVERNOR				

~~SR 252 AN ACT MAKING A SPECIAL APPROPRIATION TO THE MATANUSKA-SUSITNA BOROUGH FOR THE PLANNING AND CONSTRUCTION OF A COMMUNITY OWNED SPORTS COMPLEX, AND PROVIDING FOR AN EFFECTIVE DATE~~

~~PRIME SPONSORS: KERTTULA~~

~~BY REQUEST~~

<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>SENATE ACTION</u>	<u>DATE</u>	<u>SEQ. NO.</u>	<u>JOURNAL PAGE</u>	<u>HOUSE ACTION</u>
<del>03/09/81</del>	<del>01</del>	<del>0398</del>	<del>FIRST READING -- COMMITTEE REPORTS</del>				
<del>** 05/11/81</del>	<del>02</del>	<del>1025</del>	<del>CIRA -- CS05</del>				
			<del>FINANCE</del>				

POSITION PAPER ON SENATE BILL 21  
by the  
DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
Before the  
SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE  
January 25, 1983

Senate Bill No 21 amends existing statute AS 46.03.030. This statute authorizes the Department of Environmental Conservation to award grants up to 50 percent of the eligible costs for water, sewerage, and solid waste facilities. The primary purpose of the amendment is to increase the State's grant percentage from 50 to 75 percent. The bill also provides for an effective date.

This bill contains the same major provisions as SB 252 which passed the Legislature last year and was vetoed by Governor Hammond due to several minor provisions not found in SB 21. In his veto statement Governor Hammond stated his support for the basic legislation and his intent to recommend that the new administration reintroduce the bill this session. The Sheffield administration also supports the concept and has directed the Department of Law to draft a bill raising the grant funding percentage. The administration's proposed bill differs slightly from SB 21 but both contain the same major provisions.

The Department supports this legislation for several reasons:

- 1) Small municipalities are often unable to raise the 50 percent local match required under the existing statute. The proposed amendment will allow many of these municipalities to improve their basic sanitation services.

- 2) Federal matching grants have been drastically reduced. Adoption of SB 21 with the accompanying fiscal note will help offset the impact of decreased federal revenues.
- 3) Alaska's residents will receive a nontaxable financial benefit. An increase in State funds will reduce LID and property assessments, thereby providing a financial benefit. Since there is no direct monetary gain for the taxpayer, there can be no increase in their federal income tax.

The Department respectfully recommends that the committee consider four amendments to SB 21, which will make the Bill consistent with the administration's proposal. We request that SB 21 be amended as follows.

- 1) Add Section 3, AS 46.03.030(d) to read:

The Department shall, by regulation, identify those costs which are eligible costs for the purposes of this section. Eligible costs include the costs [ESTABLISHED IN A CONSTRUCTION CONTRACT] which are necessary for the construction of a project, but do not include the cost of interest and financing and right-of-way and land acquisition, or costs related to operation, maintenance, repair or replacement of a project. Eligible costs include the costs of the initial purchase of water delivery and sewage collection vehicles if the water delivery and sewage collection vehicles are determined by the department to be cost effective compared with conventional water supply and sewage collection systems. Eligible costs also include the cost of facilities for the maintenance and storage of these vehicles.

- 2) Delete the following clause in Section 2, AS 46.03.030(e) beginning on page 1, line 29; [INCLUDING COSTS OF OBTAINING FEDERAL WAIVERS FROM THE REQUIREMENT FOR SECONDARY TREATMENT PLANTS.] This provision is now obsolete since the time period for applying for these waivers has passed.
  
- 3) Add a provision in Section 1, AS 46.03.030 after line 19, page 1.  
Total State funding, from all sources, shall not exceed 75 percent of eligible project costs not financed by the federal government.  
This provision prevents the municipal grants program from fully matching appropriations, which would result in 100 percent project financing by the State. Requiring a minimum of 25 percent local funding will provide for more local project management.
  
- 4) The addition to the statute contained on page 1 and beginning on line 16 with the word "If" is probably no longer relevant. It was originally included to provide a maximum State/federal funding ceiling when 75 percent federal grants were available from the U.S. Environmental Protection Agency. Since the EPA grants are being reduced to 55 percent in 1984 and other federal grants are scarce, this provision could probably be dropped.

Adoption of SB 21 will result in construction of projects that would not have been built under the 50 percent funding program. As a practical matter, however, there is no means by which we can reliably predict which projects

will be affected or their costs. The attached fiscal note estimates that if the base level of funding remains constant at \$30.0 million per year, the effect of this bill will be approximately \$19.5 million in FY-84.

Thank you for the opportunity to present these comments. I will be happy to address any questions you may have.

# STATE OF ALASKA

JAY S. HAMMOND, Governor

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

### Position Paper

Re: SB 21

Sponsor: Senator Kerttula

#### Program Effects of Bill

Increases from 50% to 75% the percentage of State matching funds for eligible construction costs for local water supply, treatment and distribution systems and for sewage collection, treatment and discharge facilities and solid waste processing or disposal facilities constructed after July 1, 1983.

#### Comments

The Department supports this increase in aid to municipalities. The increase in State participation will allow a greater number of communities to afford water and sewer projects. Most local projects are partly financed through local improvement districts. At 50% State participation, many project balances could not be financed locally, due to lack of assets for bonding or high resident payback rates. Retention of a significant level of local participation ensures that projects are genuine local priorities. This program has been one of most efficient capital assistance programs administered by the State.

THE LEGISLATURE OF THE STATE OF ALASKA  
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 21  
Title "An Act Relative to Grants for Water Supply, Sewerage and Solid Waste"  
Requested by Senator Kertulla Date January 17, 1983

II. FISCAL DETAIL

Agency Affected Department of Environmental Conservation  
Program Category Affected NRMFC  
BRU, Program, Or Subprogram(s) Affected Facility Construction and Operation  
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

The fiscal impact of this bill depends solely upon the size of the appropriation and can be limited to whatever the Legislature wishes. For example, if the Legislature wishes to fund the same number of projects as could previously be funded with a \$30 million appropriation and a 50% matching requirement it will require an additional \$15 million under the 25% match requirement. However, the Legislature may choose to hold the level of the appropriation at \$30 million and fund less projects.

IV. DATE January 24, 1983

PREPARED BY Keith Kelton

AGENCY ADEC

PHONE 465-2610

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/82) OMB-Budge Review: Reviewed by Eric Laschever

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SENATE BILL 252  
 Title "relating to grants for water supply, sewerage and solid waste facilities"  
 Requested by Kertulla and Kelly Date March 9, 1981

II. FISCAL DETAIL

Agency Affected Department of Environmental Conservation  
 Program Category Affected NPMEC  
 BRU, Program, or Subprogram(s) Affected Facility Construction & Operation Section \*  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.) \*Municipal Grants Program

EXPENDITURES (Thousands of Dollars)

Estimated an 8% increase per year

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	NA	NA	91.3	98.6	106.5	115.0
200 TRAVEL	NA	NA	14.0	15.1	16.3	17.6
300 CONTRACTUAL	NA	NA	8.0	8.6	9.3	10.1
400 COMMODITIES	NA	NA	0.5	0.5	0.6	0.6
500 EQUIPMENT	NA	NA	2.5	---	---	---
600 LAND & STRUCTURES	NA	NA	---	---	---	---
700 GRANTS, CLAIMS, ETC.	NA	NA	20000.0	40,000.0	43,200.0	46,656.0
<b>TOTAL</b>			20,116.3	40,122.8	43,332.7	46,799.3

FUNDING (Thousands of Dollars)

GENERAL FUND			20,116.3	40,122.8	43,332.7	46,799.3
FEDERAL FUNDS	NA	NA	---	---	---	---
OTHER (Specify Fund Source)	NA	NA	---	---	---	---
	NA	NA				

POSITIONS

FULL TIME	NA	NA	2.0	2.0	2.0	2.0
PART TIME	NA	NA	1.0	1.0	1.0	1.0
TEMPORARY	NA	NA	NA	---	---	---

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This fiscal note details the costs associated with hiring two new engineers (environmental engineers II and III) and converting an existing half time clerk typist II position to full time (PCN 18-7281). It is estimated that these additional staff will be required to handle the increased number of grants that will result from 75% funding. It may also be necessary to increase our level of effort on some projects, since smaller communities will not be applying for grants. Many of these communities do not have the expertise to administer engineering and construction contracts and may rely on the Department for assistance. There may also be a corresponding decrease in the level of effort now devoted to EPA projects. If this occurs, it may not be necessary to fill both engineering positions.

The \$20.0 million estimate for additional grant funding in FY 82 will need to be considered as an appropriation if funds are to be available. For subsequent years program funding may be provided through either bond issues appropriations or a combination of the two sources. For subsequent years we also recommend that any additional program expenditures be financed as a capital improvement program with funding coming from either the bond issues or the

IV. DATE March 23 1981 PREPARED BY KEITH KELTON appropriation.  
 AGENCY Department of Environmental Conservation  
 PHONE 465-2610

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

ATTACHMENT A

CALCULATION OF INCREASED FUNDING REQUIREMENTS

1980 - Total State grant obligation	\$20.5 M
1980 - State matching grant obligations for EPA projects	<u>4.0 M</u>
1980 - State only grant obligations	16.5 M

EFFECT OF 75 PERCENT FUNDING ON STATE GRANT OBLIGATIONS

\$16.5 M X	<u>75% funding level</u>	\$24.75 M
	50% funding level	=====

EFFECT OF EPA FUNDING REDUCTIONS ON STATE GRANT OBLIGATIONS

Maximum future EPA funding estimated at	\$12.0 M/year
Present EPA funding average is	\$17.0 M/year

State Increase Required	=	\$17.0 - \$12.0	=	5.0 M
State Match	=	\$12.0 X 12.5%	=	<u>1.5 M</u>
				\$ 6.5 M
				=====

EFFECT OF SOLID WASTE GRANTS ON STATE GRANT OBLIGATIONS

Estimated annual demand for solid waste grants	=	\$ 6.0 M
		=====

TOTAL FUNDING REQUIREMENTS

75% funding effect	=	\$24.75 M
EPA funding reduction effect	=	6.50 M
Solid waste grants effect	=	<u>6.00 M</u>
Total estimated annual needs	=	\$37.25 M
based on 1980 rates		=====

ADJUSTMENT FOR 10 PERCENT ANNUAL INFLATION

\$37.25 X 1.1	=	\$40.975 M
Assume minimum FY 1982 funding requirement of		\$41.0 M

ESTIMATED UNOBLIGATED BOND FUND BALANCE AT JULY 1, 1981

\$27.2 M - \$6.2 M	=	\$21.0 M Balance
		=====

ESTIMATED ADDITIONAL NEEDS FOR FY 82

\$41.0 M - \$21.0 M	=	\$20. M	Increased
		=====	Appropriati

# Alaska MUNICIPAL League

TELEPHONES  
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586-6526

204 N FRANKLIN ST.  
JUNEAU, ALASKA 99801

## AML 1983 POLICY PRIORITIES

Municipal Supplemental. The League supports the supplemental appropriation of (a) \$25.1 million FY 83 Municipal Assistance revenues to fully fund the entitlement at the amount had not the method of taxation of the petroleum industry been changed during the 1981 state legislative session; and (b) \$3.5 million FY 83 Section 89 State Revenue Sharing for roads, health facilities and hospitals, and volunteer fire departments to fully fund the entitlement at the level authorized by state statutes. The League further encourages the Legislature to appropriate and the Governor to approve the aforementioned supplemental appropriation by April 15, 1983 so that local governments can use the additional funding in setting their 1983 mill levies.

SB 17

Educational Supplemental. The League urges the approval of a \$33.7 million education supplemental for FY 83 because of costs connected with the state take-over of BIA schools, unprecedented increases in school population throughout the state, and unanticipated reductions in the public school foundation program funding last year, and urges the approval of a \$12 million supplemental to fund the shortfall in the school construction reimbursement fund

Consolidation of Municipal Assistance and Revenue Sharing. The League endorses the consolidation of the current Municipal Assistance and State Revenue Sharing programs with adequate and predictable funding so that municipalities can continue to provide important needed services while holding down local taxes.

Water/Sewer/Solid Waste Construction Grants Program. The League strongly endorses the concept of the state paying at least 75% for sewerage, solid waste facilities, and water systems constructed by municipalities under the State of Alaska Construction Grants Program and that the replacement of out-moded systems be grant eligible in the same manner as the installation of the new systems. The League strongly supports appropriation levels to meet statewide needs, including a supplemental appropriation of \$28 million.

SB 21

+

SB 15

Fiscal Notes/State Mandates. The League supports enactment of legislation requiring preparation of notes assessing the fiscal impact on local governments of any proposed bill or regulation, including pass-through grants. The League urges passage of legislation which would require the state to reimburse municipalities for costs they incur in programs or activities mandated by the State of Alaska.

# Alaska MUNICIPAL League

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204 N. FRANKLIN ST.  
JUNEAU, ALASKA 99801

January 25, 1983

To: Senate Community and Regional Affairs Committee

From: Ginny Chitwood, AML Executive Director

Re: SB 21 - Grants for Water Supply, Sewerage, and Solid Waste Facilities

The Alaska Municipal League urges your favorable consideration of SB 21, increasing the state share of construction grants for community water supply, sewerage, and solid waste facilities from 50% to 75% of the non-federal share.

Public Health Needs: Adequate and clean water, sanitary sewer, and solid waste disposal are basic public health issues that, for the most part, cannot be addressed on an individual basis. Because total costs of these projects are very large, it is hard for many areas to raise the 50% local match required by the current programs.

Relief for Property Owners: The local share of water and sewer projects traditionally is paid by assessments on local property, not by general municipal taxation. Increasing the state share will provide direct relief to property owners and taxpayers by reducing local improvement district (LID) payments. Additionally, none of the state assistance dollars under this program will result in increased federal tax payments, as is the case with many of the other state revenue distribution plans. LID payments, as opposed to property and sales tax payments, are not eligible as federal income tax deductions, nor are monthly charges for water, sewer, and solid waste services.

Mandated Costs: Many of the municipal water, sewer, and solid waste projects have costly additional features, not because communities want them, but because they are mandated by federal and/or state laws and regulations. It seems only fair that a large portion of the mandated cost be borne by other than local residents.

Most areas of the state are way behind the rest of the country in having basic water supply, sewerage disposal, and solid waste facilities. Expanding the state's construction grants program is a means to accelerate the process of "catch-up". Because this is a matching grants program, an expenditure by the state will generate an increased amount of capital projects throughout the state. The new facilities will be maintained by the local governments and utility districts and will not require state operating assistance.

Title 29 Revisions. The League encourages the Governor and Legislature to recognize the significance of the effort to revise Title 29 and the importance of maintaining this legislation in a basic form and of ensuring that the legislation contain only the fundamental elements and guidelines for a basic municipal code. The League requests other proposals which would constitute major policy revisions or innovations in the function of local government be considered in separate legislation which, if approved, would be incorporated into Title 29 once the revised basic code has been adopted.

Anti-Trust Laws. The League supports legislation at both the state and federal levels placing municipalities in an equal posture with state governments with respect to federal anti-trust laws.

Subdivision Ordinance Compliance. The League urges passage of legislation which requires the State of Alaska to comply with all local subdivision ordinances and regulations in connection with state land disposal programs. The state should meet the same local requirements imposed on private citizens.